

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the April 3, 2002
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: May 1, 2002

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee meeting held in open session April 3, 2002 are submitted as Attachment 1.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
APRIL 3, 2002
OPEN SESSION
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
George Fenimore
Paul Krasnow
Jay Schenirer
Carolyn Widener
Annette Porini, representing Director of Finance, Tim Gage
Louis Willhoit, representing State Controller, Kathleen Connell
Richard Whitmore, representing Superintendent of Public Instruction, Delaine Eastin
Philip Angelides, State Treasurer

OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT

Ted Eliopoulos
Christine Solich

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Chris Waddell, Chief Counsel
Elleen Okada, Director of Investment Administration and External Relations
Ed Derman, DCEO, External Affairs and Program Development
Doug Wills, Staff Counsel
Michelle Cunningham Director of Fixed Income
Mike DiRe, Director of Real Estate
Steven Tong, Director of Internal Equities
Real Desrochers, Director of Alternative Investments
Richard Rose, Principal Investment Officer
Glenn Hosokawa, Investment Officer
Deborah Contini, Investment Officer
Trish Taniguchi, Investment Officer
Glenn Ida, Investment Officer
Jean Kushida Uda, Investment Officer
Mike Thompson, Investment Officer
Mary Ann Avansino, Administrative Assistant

OTHERS PRESENT

Allan Emkin, Pension Consulting Alliance
Nori Gerardo Lietz, Pension Consulting Alliance
Al Clerc, Pathway Capital Management

Beverly Carlson, CTA
Dorothy Moser, CTA/NEA, Retired
Ellen Logue, CTA/NEA Retired
Edna White, CRTA
Michael Green, CTA

A quorum being present, Chairperson Lynes called the open session meeting to order at 11:00 a.m.

- I. **ANNOUNCEMENTS** (Item 2)
Chairperson Lynes announced that Item 13 would be considered following Item 4.
- II. **APPROVAL OF MINUTES OF THE MARCH 6, 2002 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)
MOTION duly made by Ms. Porini, seconded by Mr. Angelides and carried to approve the minutes of the March 6, 2002, Investment Committee, Open Session as presented.
- III. **REPORT OF THE SUBCOMMITTEE ON CORPORATE GOVERNANCE** (Item 4)
Mr. Angelides reported that the Subcommittee adopted changes to the Financial Responsibility Criteria for Corporate Investments and adopted an Implementation Plan Regarding Financial Market Reform.

MOTION duly made by Mr. Angelides, seconded by Ms. Porini and carried to accept the report of the Subcommittee on Corporate Governance and adopt the changes to the Financial Responsibility Criteria for Corporate Investments.
- IV. **ALTERNATIVE INVESTMENTS – ACTIVITY STATUS REPORT** (Item 13)
Mr. Desrochers reviewed the written monthly status report. Mr. Desrochers reported on an investment made under delegation of authority in Alchemy Partners for £25 million per year for three years. Discussion ensued regarding the CalSTRS Program for Urban and Rural Investing. Mr. Desrochers reported that the fund of funds should be selected in May or June and that CalSTRS is completing due diligence on the 11 CalPERS managers.
- V. **ALTERNATIVE INVESTMENTS – CONSULTANT RFP UPDATE** (Item 12)
Mr. Desrochers reported that the final filing date for the Alternative Investment Consultant RFP and the Alternative Investment Advisor(s)/Independent Fiduciary(s) RFP is Friday, April 5, 2002.

Mr. Angelides left the meeting at 11:15 a.m. Mr. Eliopoulos assumed representation for the State Treasurer.
- VI. **GENERAL - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING DECEMBER 31, 2001** (Item 5)
Mr. Emkin presented a written and oral performance report for the period ending December 31, 2001. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Mr. Krasnow and carried to adopt a resolution to accept the semi-annual performance report submitted by Pension Consulting Alliance as presented.

VII. **REAL ESTATE – SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING SEPTEMBER 30, 2001** (Item 6)

Ms. Gerardo Lietz presented a written and oral performance report for the period ending September 30, 2001. Discussion ensued. Mr. Eliopoulos presented a request from Mr. Angelides to include a quarterly report on the urban investment pipeline. Mr. Ailman stated that the Closed Session status report was being expanded to include this potential investment information.

MOTION duly made by Mr. Fenimore, seconded by Mr. Krasnow and carried to adopt a resolution to accept the semi-annual performance report submitted by Pension Consulting Alliance/E&Y Kenneth Leventhal as presented.

VIII. **ALTERNATIVE INVESTMENTS – SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING SEPTEMBER 30, 2001** (Item 7)

Mr. Clerc presented a written and oral performance report for the period ending September 30, 2001. Discussion ensued.

MOTION duly made by Mr. Krasnow, seconded by Mr. Schenirer and carried to adopt a resolution to accept the semi-annual report submitted by Pathway Capital Management as presented.

Chairperson Lynes recessed the meeting at 12:25 p.m.
The meeting reconvened at 1:15 p.m.

IX. **UPDATE ON LEGISLATION** (Item 7)

Mr. Derman recommended that any action on SR 22, Restrictions on Investments in Energy Companies, be tabled until further notice due to ongoing changes to the resolution.

MOTION duly made by Ms. Widener, seconded by Mr. Whitmore and carried to table action on SR 22, Restrictions on Investments in Energy Companies.

X. **EQUITIES – DISCUSSION OF U.S. EQUITY BENCHMARKS** (Item 9)

Mr. Tong, Ms. Contini, Ms. Taniguchi, and Mr. Ida discussed benchmark selection criteria, a comparison of benchmarks, and benchmark characteristics and U.S. equity market sectors. The task force reported that the final presentation was scheduled for the May meeting.

XI. **FIXED INCOME – REVIEW OF U.S. FIXED INCOME BENCHMARKS** (Item 10)

Ms. Cunningham and Mr. Hosokawa gave an initial presentation of the review of U.S. Fixed Income Benchmarks. The purpose of the review is to analyze and evaluate major fixed income performance benchmarks and determine the benchmark that is best suited for CalSTRS. The next presentation is scheduled for June.

XII. **REAL ESTATE – REVIEW OF NON-U.S. REAL ESTATE** (Item 11)

Mr. DiRe reported that under current policy, CalSTRS can invest in international real estate through commingled funds. He reported on four real estate opportunity funds to which CalSTRS has committed. Three of these funds have an international focus and the fourth fund can invest up to 25% in Latin America. Ms. Gerardo Lietz gave a power point presentation reviewing reasons to invest in international real estate, the investment

universe and correlations to U.S. opportunities, pros and cons of investment in non U.S. real estate markets, and conclusions. Discussion ensued.

- XIII. **CREDIT ENHANCEMENT PROGRAM – ACTIVITY STATUS REPORT** (Item 14)
Ms. Kushida Uda presented the written report.
- XIV. **REAL ESTATE – ACTIVITY STATUS REPORT** (Item 15)
Mr. DiRe and Mr. Thompson reviewed the written report.
- XV. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 16)
Mr. Ailman reviewed the written report.
- XVI. **DRAFT AGENDA FOR MAY INVESTMENT COMMITTEE MEETING** (Item 17)
Mr. Ailman announced that Item 6 would be moved to June and an Open Session Information item for the Currency Task Force would be added for May.
- XVII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 18)
There were no statements from the public.
- XVIII. **MOVE TO CLOSED SESSION**
Chairperson Lynes recessed the meeting at 2:40 p.m. and reconvened into closed session.
- XIX. **ADJOURNMENT**
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 3:40 p.m.

Jack Ehnes, Chief Executive Officer and Secretary to the Teachers'
Retirement Board

Gary Lynes, Chairperson